

T E N N E S S E E

DEPARTMENT OF COMMERCE &
INSURANCE



2000-2001

ANNUAL REPORT

T E N N E S S E E

DEPARTMENT OF COMMERCE AND INSURANCE

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NASHVILLE, TENNESSEE 37243-0565

(615) 741-2241

www.state.tn.us/commerce

Our Mission
4

Department
Overview
6

Administrative
Services
8

Fiscal Review
9

Insurance
11

Fire Prevention
13

Securities
15

Consumer
Affairs
16

Regulatory
Boards
17

E-911 Board
21

TennCare
Oversight
22

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Nick Kistenmacher, Press Office Assistant

OUR MISSION

To provide the leadership and support necessary to protect the public health and safety by:



Maintaining public confidence in the integrity of the consumer and financial service industries and professions;

Safeguarding consumers from deceptive business practices;

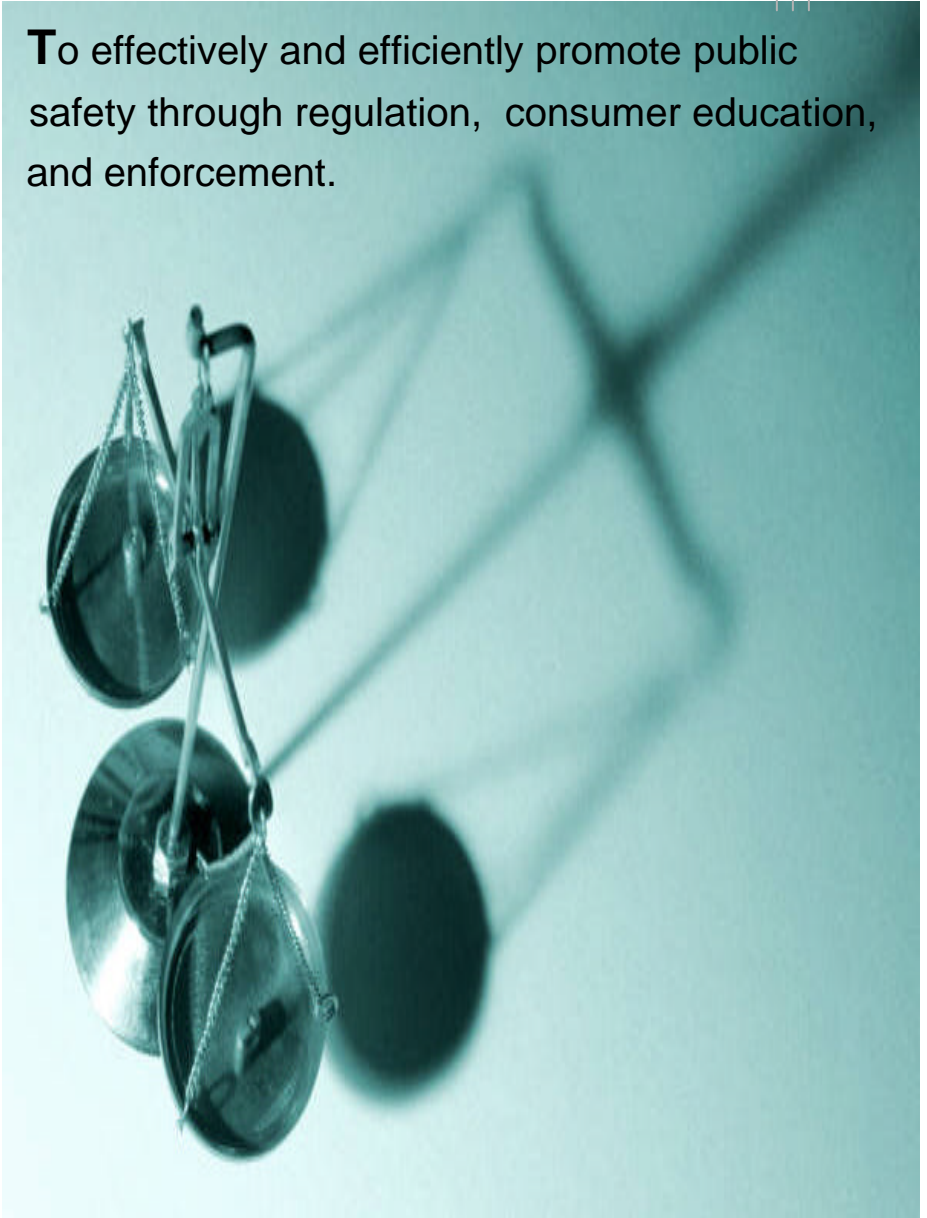
Ensuring a fair and competitive marketplace in which businesses have the flexibility to operate in order to promote economic and community development within the state;

Requiring adherence to certain recognized and established standards of conduct in consumer and financial service industries and professions;

Protecting life and property through fire prevention, education, investigation, enforcement and access to enhanced emergency communications.

OUR VISION

To effectively and efficiently promote public safety through regulation, consumer education, and enforcement.



DEPARTMENT OVERVIEW

This diverse agency bears the complex responsibility of protecting the interests of consumers while providing fair, efficient oversight and a level field of competition for industries and professionals doing business in Tennessee. The department also assists law enforcement through specialized training and investigative work.

In addition to regulating 1,600 insurance companies and 60,000 agents that contribute more than \$14 million dollars to the state economy, the department has six other broadly defined core responsibilities. The Division of Consumer Affairs coordinates with other divisions, in addition to other state and federal agencies, to mediate or otherwise resolve more than 6,000 consumer complaints per year. Every division within the department provides some form of consumer education.

The Securities Division licenses brokers, dealers and investigates fraud. The TennCare Oversight Division monitors the financial condition of the health maintenance organizations (HMOs) and behavioral health organizations (BHOs) that contract to provide services to 1.3 million TennCare enrollees.

The Division of Fire Prevention enforces building and safety codes for most new construction, schools, and other existing structures. Other duties within this division

include training volunteer and career firefighters and codes officials as well as working with other branches of law enforcement providing critical expertise in arson investigations.

The Division of Regulatory Boards houses another 22 boards and commissions that enforce professional standards of conduct and statutory mandates for industries ranging from architects and engineering to contracting, cosmetology, and accounting.

Administratively attached entities include the Commission on Firefighting Personnel and Standards Education, which sets criteria for standards for fire service personnel; and the Emergency Communications Board which seeks to establish a plan for providing 911 service to all Tennesseans.

As a by-product of this wide-range of professional services, the Department of Commerce and Insurance collected more than \$393 million in fees and premium taxes in fiscal year 2000/2001, second only to the Department of Revenue. The department's total operating budget for that fiscal year was \$62 million.

Fiscal Year 2002 Budget

Division	Budget
Administration	\$4,287,000
Insurance	\$9,564,200
Fire Prevention	\$11,521,800
TennCare Oversight	\$2,820,800
Securities	\$1,525,900
Consumer Affairs	\$840,200
Fire Service & Codes	
Enforcement Academy	\$3,601,200
Emergency 911 Board	
Communications	\$12,787,300
Regulatory Boards	\$15,979,300
Real Estate Education	
and Recovery	\$275,500
Auctioneer Education	
and Recovery	\$88,300
Fire Fighting Commission	\$2,508,700
DEPARTMENT TOTAL	\$65,800,200

Department Operator
(615) 741-2241



Consumer Affairs
(615) 741-5000



Fire Prevention
(615) 741-2981



Insurance
(615) 741-2176



Fiscal Year 2001 Budget

Division	Budget
Administration	\$4,152,100
Insurance	\$7,443,600
Fire Prevention	\$11,490,400
TennCare Oversight	\$2,711,300
Securities	\$1,486,200
Consumer Affairs	\$820,200
Fire Service & Codes	
Enforcement Academy	\$3,500,500
Emergency 911 Board	
Communications	\$12,774,600
Regulatory Boards	\$15,285,700
Real Estate Education	
and Recovery	\$275,500
Auctioneer Education	
and Recovery	\$87,300
Fire Fighting Commission	\$2,502,600
DEPARTMENT TOTAL	\$62,530,000

Regulatory Boards
(615) 741-3449



Securities
(615) 741-2947



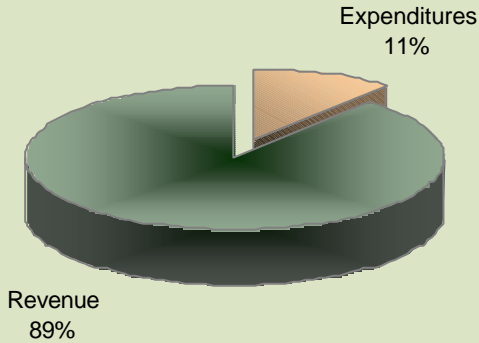
TennCare Oversight
(615) 741-2677

A close-up, slightly blurred photograph of a hand holding a yellow pen, poised to write on a white surface. The lighting is warm and soft, creating a professional yet approachable atmosphere. The text 'ADMINISTRATIVE SERVICES' is overlaid in a clean, sans-serif font.

ADMINISTRATIVE SERVICES

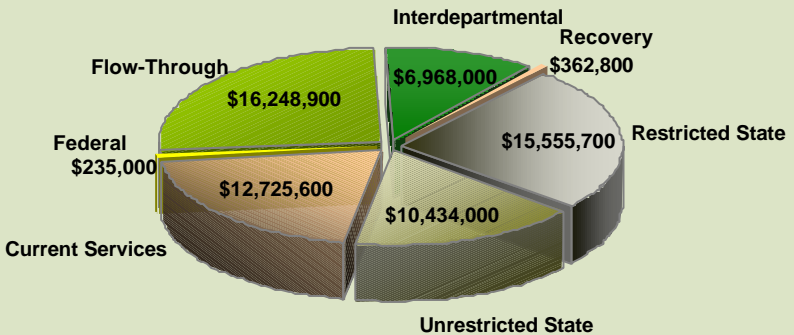
FISCAL REVIEW

REVENUE VS EXPENDITURES 2000-2001



In fiscal year 2000-2001 revenues exceeded expenditures by almost \$350 million.

REVENUE SOURCES 2000-2001



Fiscal Year 2000-2001

Division	Expenditures	Revenue
Administration	\$3,712,500	\$3,712,500
Insurance	\$6,833,300	\$327,175,900
Fire Prevention	\$10,931,200	\$13,290,300
Fire and Codes Academy	\$1,049,200	\$5,000
TennCare Oversight	\$2,498,800	\$2,498,800
Securities	\$1,283,800	\$15,507,000
Consumer Affairs	\$744,600	\$35,700
E-911 Board	\$8,530,700	\$22,184,200
Regulatory Boards	\$12,090,300	\$15,355,800
Real Estate Education and Recovery	\$39,100	\$308,900
Auctioneer Education and Recovery	\$41,000	\$88,300
Fire Fighting Commission	\$2,480,000	0
Total	\$50,234,500	\$400,162,400

Fiscal Year 1999-2000

Division	Expenditures	Revenue
Administration	\$3,566,400	\$3,566,400
Insurance	\$6,250,200	\$318,678,200
Fire Prevention	\$10,511,400	\$13,606,400
Fire and Codes Academy	\$342,400	\$342,400
TennCare Oversight	\$1,645,200	\$1,645,200
Securities	\$1,145,600	\$14,086,100
Consumer Affairs	\$744,100	\$58,800
E-911 Board	\$3,447,500	\$11,670,400
Regulatory Boards	\$11,660,400	\$11,049,200
Real Estate Education and Recovery	\$221,200	\$284,400
Auctioneer Education and Recovery	\$38,300	\$84,200
Fire Fighting Commission	\$2,471,300	\$2,471,300
Total	\$42,044,000	\$377,543,000

INSURANCE



Under the direction of Assistant Commissioner Everett Sinor, this division is responsible for enforcing the state's insurance laws and supervising more than 1,600 insurance companies authorized to do business in Tennessee. There are seven sections each committed to serving the public interest.

The **Actuarial Section** reviews life, health and credit life insurance policy form changes annually, approves changes in those policies, and examines life insurance companies to make sure they have enough money in reserve to pay consumer claims.

The **Agent Licensing office** is responsible for the licensing and regulation of insurance agents who do business in Tennessee.

The **Company Examination Section** regulates the formation, admission, operation and examination of life companies, casualty companies, title companies, captives, health maintenance organizations, governmental entity pools, and risk retention groups. Other responsibilities include review and analysis of financial statements, receipt of required reports and payment of premium taxes. This unit also conducts detailed company examinations, including financial status, market conduct activities, and compliance with insurance laws, rules and regulations.

Through the **Consumer Insurance Services Section**, consumers have access to services to help resolve insurance related disputes. This section also includes the Insurance Division's Fraud and Market Conduct Units.

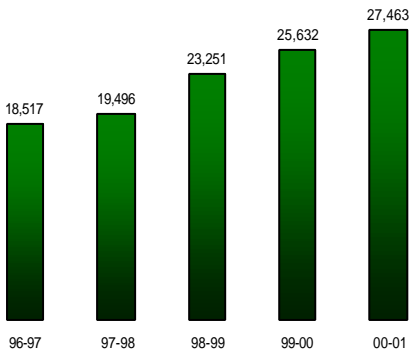
The **Education and Outreach Section** develops and implements insurance education for Tennessee consumers through educational seminars, workshops and group meetings. A principal consumer resource is the Insurance Assistance Office for Seniors that provides information and makes referrals to Medicare eligible individuals regarding their health insurance concerns. This section also administers the HMO grievance review process for consumers with HMO disputes.



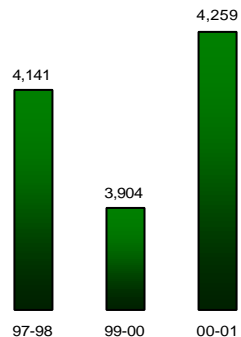
The **Rating Section** reviews rate, rule and form filings by licensed insurance companies to assure compliance with applicable statutes, rules, and departmental practices.

The **Workers Compensation/Self-Insurance/Surplus Lines Section** reviews and approves both individual and group self-insurance proposals. It is also responsible for the licensing and review of automobile clubs and agents, and surplus lines agents.

**Agent Licensing
Applications Processed**



**Total Number of Consumer
Complaints Processed**



FIRE PREVENTION



Commissioner Pope serves as the State Fire Marshal. Day to day operations are the responsibility of Assistant Commissioner W. Stuart Crine. The Division is committed to enhancing the quality of life safety for Tennesseans and the protection of their property through fire prevention, education, investigation and enforcement.

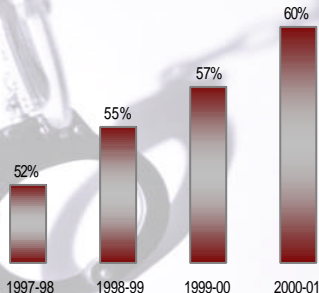
The **Administrative Services Section** coordinates the state's public fire education efforts, administers the certification program for fire and building code inspectors, collects and disseminates fire data from throughout the state, and issues permits and licenses.



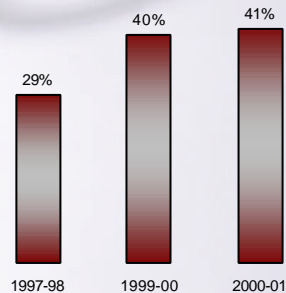
The **Bomb and Arson Section** works with local, state, and federal law enforcement to investigate incidents of arson and criminal misuse of explosives. It also enforces state statutes on explosives, investigates fire insurance fraud claims, presents reports and information to District Attorneys General for prosecution and makes arrests for violations where necessary.

The **Electrical Inspection Section** regulates all electrical work performed in Tennessee and the proper set-up of homes.

Percentage of Fires Ruled Arson



Arrest Rate Per Case



The **Codes Enforcement Section** reviews, approves, and inspects most new construction plans. The section also inspects schools, day care facilities, mental health and mental retardation occupancies, propane gas dealerships, and fireworks establishments. In addition, blasting incidents are reported to and investigated by this section. The construction, sale, and installation of modular buildings and manufactured homes as well as the construction and sale of recreational vehicles within the state is regulated by this section and enforced through in-plant and on-site inspections.



The **Fire Service and Codes Enforcement Academy** in Bedford County is designed to train volunteer and professional firefighters, codes enforcement personnel, and others involved in the delivery of emergency services throughout Tennessee.

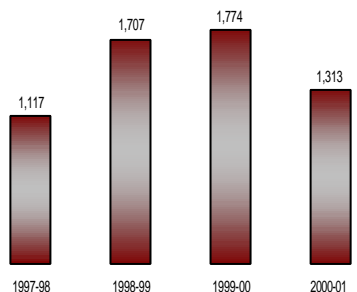


The **Tennessee Commission on Firefighting Personnel and Standards Education** sets criteria for standards of performance, courses of instruction and training, and procedures for certifying levels of achievement for fire service personnel throughout the state. It is also responsible for administering the supplemental pay plan for firefighters.

Number of Inspections Completed

	1997-98	1998-99	1999-00	2000-01
Blasting	178	260	510	778
Correctional	160	265	174	254
Day-Cares	3,447	2,766	2,165	3,294
New Construction	4,757	7,837	8,142	10,216
Schools	1,438	2,292	498	1,766
State Owned	501	947	538	314
Fireworks	32	55	297	170

Codes Enforcement Plans Reviewed

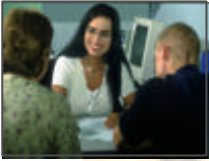


SECURITIES



This division, headed by Assistant Commissioner Daphne Smith, is responsible for enforcing the 1980 Tennessee Securities Act. The division helps protect Tennessee investors by maintaining the integrity of capital markets through the following three principal areas of regulation.

The **Securities Registration** section registers all non-exempt securities and receives notice filings for covered securities to be sold in the state. Applications and notices are processed and examined for compliance with securities registration laws and rules.

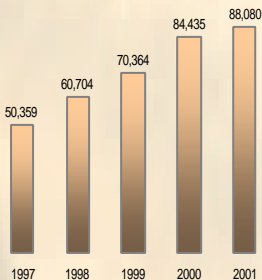


The **Broker-Dealer, Agent, Investment Adviser Registration** section registers broker-dealers (securities firms), registered Representatives (sales-persons) and investment advisers to do business in the state and receives notice filings for federally registered advisers. This section uses the Central Registration Depository (CRD) and the Investment Adviser Registration Depository (IARD), both national computer systems linked to all states. There are over 1,700 broker-dealers, 600 investment advisers and 90,000 agents registered through this section.

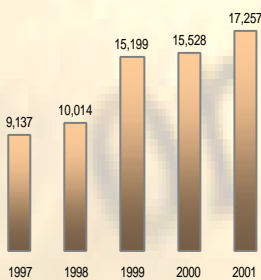


The **Enforcement** section is responsible for the investigation of complaints involving securities violations and enforcing the 1980 Tennessee Securities Act. Cases involving administrative, civil, or criminal actions originate from this section.

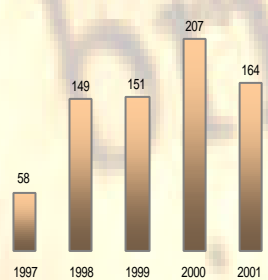
Registered Broker-Dealers,
Investment Advisers and Agents



Securities Registration:
Investment Companies & Mutual Funds
Notice Filings



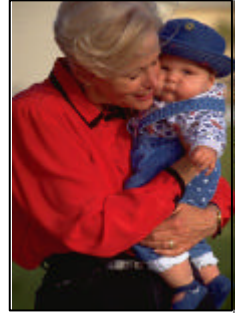
Enforcement Section:
Complaints Received



CONSUMER AFFAIRS

The **Consumer Affairs Division's** mission is to serve and protect consumers from deceptive business practices and is headed by Director Dave McCollum. During calendar years 1996 through 2001, it addressed more than 31,000 written complaints and formal actions that resulted in consumers recovering more than \$7.7 million.

Consumer Affairs also acts as an intermediary for consumers and business. The division takes a proactive approach toward preventing consumer fraud through investigative powers and referral of claims to the state Attorney General, who may take action against a person or business violating the Tennessee Consumer Protection Act. The division also registers health clubs and credit repair companies.



Top Five Consumer Complaint Categories 2000 – 2001

1. Debtor/Creditor

2. Utilities

3. Internet On-Line Auctions

4. Auto Repair

5. Home Improvement

Consumer Affairs
615.741.5000



Toll Free Automated
800.342.8385




Local Automated
615.741.4737



Local Non-Automated
615.741.4738

REGULATORY BOARDS & COMMISSIONS



Headed by Assistant Commissioner Stephanie Chivers, this division licenses and regulates several hundred thousand Tennesseans in their professions and businesses. These boards and commissions are empowered to take disciplinary action—including revocation of licenses and assignment of civil penalties—against license holders found guilty of violating laws governing their professions, and has a separate investigations unit.

The commissioner of Commerce and Insurance appoints the members of the Advisory Board on Professional Boxing, the Private Protective Services Advisory Committee, and the Cemetery Advisory Board. All other appointments are made by the governor.



Fiscal Year 2000 - 2001

Board	Expenditures	Fees
Alarm Contractors	\$418,200	\$378,000
Arch. & Eng. Landscape Arch. & Interior Design	\$1,175, 400	\$1,238,900
Auctioneer	\$293,800	\$238,500
Barber	\$375,000	\$289,100
Boxing & Auto Racing	\$119,500	\$31,500
Burial	\$256,200	\$125,400
Collection Services	\$165,000	\$222,000
Contractors	\$1,762,500	\$2,174,400
Cosmetology	\$988,600	\$1,100,600
Employee Leasing	\$63,100	\$132,700
Funeral Directors & Embalmers	\$418,800	\$164,300
Geologists	\$69,100	\$68,900
Home Improvement	\$159,300	\$162,200
Land Surveyors	\$232,800	\$173,000
Motor Vehicles	\$1,183,500	\$1,278,300
Pharmacy	\$1,085,800	\$1,027,800
Polygraph Examiners & Private Investigators	\$251,200	\$253,000
Private Protection	\$683,400	\$803,500
Real Estate	\$1,441,500	\$3,811,200
Real Estate Appraisers	\$335,300	\$206,000
Accountancy	\$584,800	\$791,400
Total	\$12,062,800	\$14,670,700

REGULATORY BOARDS & COMMISSIONS

The State Board of Accountancy

regulates public accountancy, including the licensure and registration of Certified Public Accountants, Public Accountants, and firms.

The Board of Architectural & Engineering Examiners

regulates the practice of architecture, engineering, and landscape architecture and the use of the title "registered interior designer" in Tennessee.

The Auctioneer Commission is responsible for protecting the public by licensing and monitoring the auction profession.

The Board of Barber Examiners

regulates the practice of barbering, including the licensure and registration of Master Barbers, Barber Instructors, barber shops, and barber schools.

The Board for Licensing

Contractors licenses and regulates general contractors, or limited licensed electricians.

The Board of Funeral Directors and Embalmers

licenses and regulates funeral directors, embalmers, and funeral establishments.

The Burial Services/Cemetery Program

administers legislative acts that require the establishment of a trust for the protection of those who buy cemetery and funeral property and services.

The Home Improvement

Commission is responsible for approving applicants and issuing licenses to engage in home improvement construction.

The Board of Examiners for Land Surveyors

is responsible for licensing land surveyors.

The Motor Vehicle Commission

regulates and licenses motor vehicle manufacturers, distributors, representatives, dealers, and salesmen, as well as auctioneers, dismantlers and recyclers.

The Collection Services Board

licenses and regulates collection services agencies and location managers.

The Cosmetology Board

licenses and regulates cosmetologists, instructors, aestheticians, manicurists, cosmetology schools and salons.

The Board of Pharmacy

licenses and regulates pharmacists, pharmacies, service representatives, manufacturers, wholesalers and pharmacy researchers.

The Employee Leasing

Program licenses entities that handle, by contract, all personnel situations for companies/industries in Tennessee.

The Professional Boxing and Automobile Racing Program is responsible for enforcing the laws and regulations pertaining to professional boxing and automobile racing.

The Tennessee Real Estate Appraiser Commission licenses and regulates real estate appraisers.

The Tennessee Real Estate Commission licenses and regulates real estate brokers, affiliates, firms, rental agents and firms and registers time share locations.

The Private Protective Services Program licenses companies offering contracted security services, registers armed and unarmed guards and certifies trainers.

The Geology Registration Section registers professional geologists and geologists.

The Private Investigators/Polygraph Commission licenses private investigation companies, private investigators, and polygraph examiners.

The Alarm System Contractors Board certifies alarm system contractors, licenses qualifying agents and registers employees of the companies.

The Private Probation Services Council's purpose is to set uniform professional activities and contract standards for entities engaged in general misdemeanor probation supervision, counseling and collection services to the courts.

Administration

(615) 741-3449

State Board of Accountancy

(615) 741-2550

Board of Architectural & Engineering Examiners

(615) 741-3221

Auctioneer Commission

(615) 741-3236

Board of Barber Examiners

(615) 741-2294

Board for Licensing Contractors

(615) 741-8307

Collection Services Board

(615) 741-1741

Cosmetology Board

(615) 741-2515

Board of Funeral Directors and Embalmers

(615) 741-2378

Burial Services/Cemetery Program

(615) 741-2378

Home Improvement Commission

(615) 532-5630

Board of Examiners for Land Surveyors

(615) 741-3611

Motor Vehicle Commission

(615) 741-2711

Board of Pharmacy

(615) 741-2718

Employee Leasing Program

(615) 741-3449

Professional Boxing and Automobile Racing Program

(615) 741-2384

Tennessee Real Estate Commission

(615) 741-2273

Real Estate Appraiser Commission

(615) 741-1831

Private Protective Services Program

(615) 741-6382

Geology Registration Section

(615) 741-3611

Private Investigators/Polygraph Commission

(615) 741-4827

Alarm System Contractors Board

(615) 741-9771

Private Probation Services Council

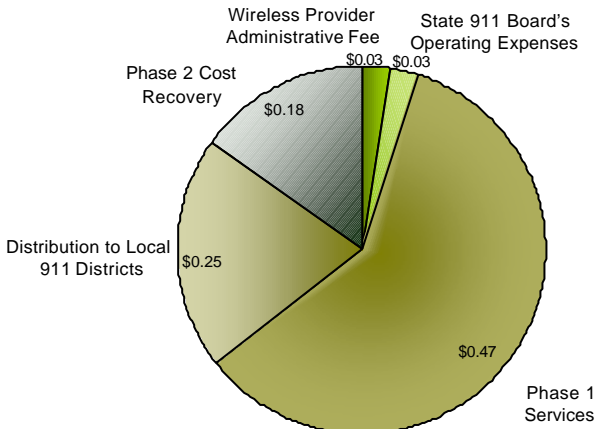
(615) 741-3449

EMERGENCY 911 BOARD



The **Tennessee Emergency Communications Board (e-911)**, headed by executive director Frith Sellers, has three primary responsibilities: implement statewide wireless enhanced 911 service in a cost effective and efficient manner; establish a state plan for the provision of 911 service to every Tennessean; and implement financial and operational accountability standards for local 911 districts in the state. Of the nine-member board, eight are appointed by the governor. By statute, the ninth member is the Comptroller of the Treasury or the comptroller's designee.

Breakdown of the Wireless 911 Charge



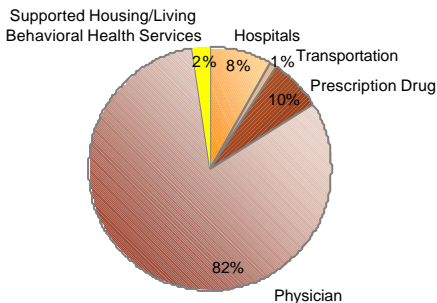
TENN CARE OVERSIGHT

The **TennCare Oversight Division** is headed by Deputy Commissioner Manny Martins and is responsible for enforcing the state's health maintenance organization laws and prepaid limited health services organization law relating to the TennCare Program. The division was created by Governor Sundquist in 1995 to protect the integrity of the TennCare Program through financial oversight, examination and monitoring of HMOs and BHOs participating in the program.

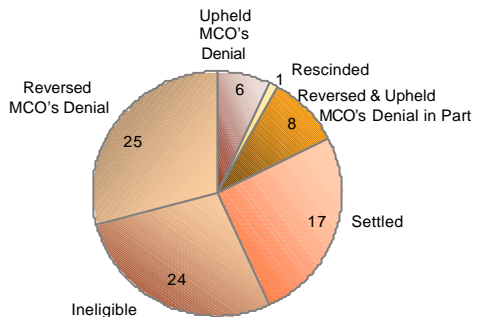


The responsibilities of this division include reviewing and analyzing financial status, market conduct activities (claims processing operations, prompt pay requirements) and compliance with federal and state laws, rules and regulations as they apply to the TennCare Program MCO operations. The division also supports the TennCare Claims Processing Panel, overseeing the independent review of provider claims denial program and administering that program for the Panel.

Summary of Claims



Summary of Decisions



T E N N E S S E E
DEPARTMENT OF COMMERCE & INSURANCE
Contact Information



Department Operator (615) 741-2241
Consumer Affairs – (615) 741-5000
Consumer Affairs – (800) 342-8385
Consumer Affairs – Health Club Information – (800) 422-2582
Fire Prevention – (615) 741-2981
Fire Prevention – Fire Line – (800) 347-3546
Fire Prevention – Arson Hotline – (800) 762-3017
Fire Prevention – Place of Worship Hotline (Confidential) – (888) 333-0552
Insurance – (615) 741-2176
Insurance – Agent Licensing – (888) 416-0868
Insurance – Counseling for Seniors – (800) 525-2816
Insurance – Fraud and Special Investigations – (800) 792-7573
Insurance – Policyholders Services – (800) 342-4029
Regulatory Boards – (615) 741-3449
Regulatory Boards – Contractors/Home Improvement – (800) 544-7693
Regulatory Boards – Cosmetology Board – (800) 480-9285
Regulatory Boards – Private Protective Services – (888) 251-3997
Regulatory Boards – Real Estate Commission – (800) 342-4031
Securities – (615) 741-2947
Securities – (800) 863-9117
TennCare – (615) 741-2677

